

# DOCKET SECTION

BEFORE THE  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

RECEIVED

JAN 22 11 22 AM '98

Postal Rate and Fee Changes, 1997

Docket No. R97-1  
POSTAL RATE COMMISSION  
WASHINGTON, D.C. 20268-0001

**NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
DOW JONES & CO. WITNESS  
WILLIAM B. SHEW (NAA/DJ-T1-1-7)  
January 22, 1998**

The Newspaper Association of America hereby submits the attached interrogatories to Dow Jones & Co. witness William B. Shew (DJ-T-1) and respectfully requests a timely and full response under oath.

Respectfully submitted,

NEWSPAPER ASSOCIATION OF AMERICA

Robert J. Brinkmann  
NEWSPAPER ASSOCIATION OF AMERICA  
529 14th Street, N.W.  
Suite 440  
Washington, D.C.  
(202) 638-4792

By: William B. Baker  
William B. Baker

WILEY, REIN & FIELDING  
1776 K Street, N.W.  
Washington, DC 20006-2304  
(202) 429-7255

## CERTIFICATE OF SERVICE

I hereby certify that I have this date served the instant document on all participants of record in this proceeding in accordance with section 12 of the Rules of Practice.

January 20, 1998

William B. Baker  
William B. Baker

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
DOW JONES & CO. WITNESS  
WILLIAM B. SHEW (NAA/DJ-T1-1-7)

NAA/DJ-T1-1. Please refer to page 5, lines 20-21 and page 6, line 1 where you state: "But each service's true cost -- the cost that would be avoided if the service were not offered -- is inevitably the appropriate point of departure in establishing suitable service rates."

- a. Is the "true cost" to which you refer in the above statement, the marginal cost or the incremental cost of each service? Please explain.
- b. Should the "true cost" to which you refer in the above statement be measured on a short-term or a long-term basis? Please explain.
- c. Should the Postal Rate Commission use the "true cost" as the attributable cost basis for determining the institutional cost markup for each subclass of mail? Please explain why or why not.

NAA/DJ-T1-2. You state in your direct testimony at page 18, lines 5-7 that Professor Bradley's analysis of the variability of mail processing costs "constitutes a major step forward in improving understanding of the factors driving Postal Service costs." Further, you conclude that "the study in its current form more than adequately establishes the variability of costs, and the size of the data sets and the thoroughness of the analysis provide ample reason to be confident that the results are reliable."

- a. Please specify all documents, including workpapers, that you relied upon to draw the above conclusions.
- b. As a part of your review of Professor Bradley's analysis, did you examine the data to assess its accuracy or reliability? If yes, please describe your examination of the data and what conclusions you drew based upon this examination.
- c. As a part of your review of Professor Bradley's analysis, did you examine the data that Professor Bradley excluded from his analysis? If so, did you determine whether the exclusion of these data was appropriate? Please explain.

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
DOW JONES & CO. WITNESS  
WILLIAM B. SHEW (NAA/DJ-T1-1-7)

- d. As a part of your review of Professor Bradley's analysis, did you investigate alternative specifications of his recommended models? If so, please describe these investigations and what conclusions you drew based upon these investigations.
- e. As a part of your review of Professor Bradley's analysis, did you perform any independent analysis, including but not limited to recalculation of the resulting cost variabilities by MODS operation, to verify the results of Professor Bradley's analysis? If so, please describe this independent analysis and provide a copy of the analysis.

NAA/DJ-T1-3. In your opinion, is Professor Bradley's mail processing analysis likely to produce estimates of the long-run or short-run variability of costs with respect to volumes? Please explain your answer fully.

NAA/DJ-T1-4. In your opinion, is the IOCS tally system a reasonable tool for distributing costs in today's postal operational environment? Please explain.

NAA/DJ-T1-5. Please refer to page 39, lines 3 through 11 of your testimony. Do you have a specific proposal for the Commission to use in attributing mail processing costs?

NAA/DJ-T1-6. Please refer to page 30, lines 5-6 of your testimony. Assuming that "all costs not clearly identifiable with individual service classes" to which you refer were, in fact, treated as institutional, please identify what costs would be shifted and

NEWSPAPER ASSOCIATION OF AMERICA  
INTERROGATORIES TO  
DOW JONES & CO. WITNESS  
WILLIAM B. SHEW (NAA/DJ-T1-1-7)

what would be the amount of costs shifted from attributable to institutional? Please indicate the amount of costs by subclass.

NAA/DJ-T1-7. Please refer to your direct testimony at page 32, lines 13-15. You suggest an alternative distribution method that "...makes greater use of existing information and so generates results that are less sensitive to arbitrary assumptions and small samples than the methodology currently being sponsored by the Postal Service." Please explain this method in detail and describe how this method would make greater use of existing information.